



NEWS RELEASE

**STATE BOARD
OF EQUALIZATION**

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FOR IMMEDIATE RELEASE

NR# 78-C
Date: November 28, 2005
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**CHIANG REMINDS CALIFORNIANS TO TRACK TAXES
FOR ONLINE PURCHASES THIS HOLIDAY SEASON**

State Board of Equalization (BOE) Chair John Chiang today reminded the millions of Californians who shop online or through mail-order to carefully track purchases they make during the holidays to determine if California tax was collected.

The reason? Many savvy shoppers can find bargains online, but don't realize they can rack up a tax bill in the process. California law requires tax on in-state purchases, and also requires tax on items purchased out-of-state for use in California whether or not tax is collected at the time of purchase.

"A lot of people are confused about the tax on internet purchases," said BOE Chair John Chiang. "BOE staff is available to help California taxpayers with questions on when tax applies, and how to comply and file appropriately. Revenue from sales and use tax supports law enforcement, transportation, housing, health care and other essential services for Californians."

Tax collected by the retailer at the point of sale in California is called sales tax, and the retailer is responsible for collecting and turning it over to the BOE. But when an out-of-state or online retailer doesn't collect the tax for an item headed to California, then the purchaser owes what is called "use tax," which is simply a tax on the use, storage, or consumption of personal property in California. The use tax is a companion to California's sales tax that is designed to level the playing field between in-state retailers who are required to collect tax, and some out-of-state retailers who are not.

Businesses, as well as individual consumers, must also watch their out-of-state shopping. While the BOE estimates that over a billion dollars in California use tax goes unreported each year, at least \$600 million is from business-to-business commerce where California-based companies order supplies, products, and merchandise from out-of-state.

Use tax reporting is made available to individual and business taxpayers alike through a separate line on their California income tax return, or by filing a BOE Consumer Use Tax return. For copies of income tax returns, visit www.ftb.ca.gov. A consumer use tax return, along with an information booklet from the Board of Equalization is available at www.boe.ca.gov/pdf/pub79b.pdf.

Sales tax exemptions generally apply to use tax as well. Many foods, along with prescription medications, are exempt. The sales tax rate of the locality where the item is used will serve as the use tax rate. To find more information on how the law applies, or for local sales and use tax rates, visit www.boe.ca.gov or call 800-400-7115.

Chairman John Chiang, of Los Angeles, was elected to his first term as Fourth District Member on the State Board of Equalization in 1998, and re-elected in 2002. He was named Chair of the Board in December 2004. He also presided as Chair in 2002.

The five-member Board of Equalization is a publicly elected tax board. The Board collects more than \$44 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and plays a significant role in the assessment and administration of property taxes.

Other Board Members include Betty T. Yee of San Francisco, Acting Member, First District; Bill Leonard of Sacramento/Ontario, Second District; Claude Parrish of Long Beach, Third District; and State Controller Steve Westly.

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